



Financial Decisions

*It's 10 o'clock, do
you know where
your money is?*

Impacting The Business
~~~  
Management Actions





# What's Here...

- Introduction
- When to Act
- Impacting Revenue
- Impacting Costs
- Impacting Profit and Self-Sufficiency
- Additional Information
- That's all...

# Introduction,

## Page 1 of 2



- This *training nugget* outlines potential management decisions and actions to correct unfavorable financial performance
- Givens:
  - Each F&FR Program has a cost
  - Each has one or more funding streams
  - Each *should* have worth / deliver value
  - Each program's financial data is "a" measure of performance, but not the only measure

# Introduction,

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- Many other measures of worth/value exist such as:
  - Fulfilling Federal mandates
  - Contributing to individual, unit and organizational and readiness
  - Contributing to recruitment and retention
  - Improving fitness and health
  - Reducing accidents, injuries, substance and alcohol abuse, spousal and family abuse
  - Improving life choices and family / life practices
  - Increasing customer satisfaction / reducing dissatisfaction

# When to Act,

## Page 1 of 4



- Managers typically use the following financial reports to assess how the business is performing:
  - Executive Summary Report
  - Budget Performance Activity Report
  - Plan/Actual Departmental Operations
  - Summary Operations Statement
- The Budget Performance Activity *training nugget* demonstrated use of the BPA report
- The analysis process demonstrated how to identify favorable and unfavorable financial performance

# When to Act,

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- The Budget Performance Activity Report - New combines budget data with a traditional profit and loss (P&L) statement
  - It compares budget to actual
  - It lists performance as variance percentages
  - And it displays prior year actuals
- It is only by comparing income and expenses to a Plan (budget) and to prior periods that you can identify trends and draw conclusions about how you are doing

# When to Act,

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- **Warning** – formulating business decisions based on financial performance compared to Plan (budget) will only be effective if the Plan itself is *realistic, accurate* and *achievable* for your F&FR Program/Cost Center(s)
- Action is necessary when financial trends vary to the point that a Program's activities, events, products or services may be at risk
- The SAP/AIMS Budget Performance Activity Report *training nugget*, has you note all **unfavorable** variances greater than 10%

# When to Act,

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- These variances most often require validation and either an accounting adjustment or notation of external influences that contributed to a “temporary” variance.
- However, sustained variances call for examination and corrective action.
- This presentation addresses potential management actions based on unacceptable financial trends

# Impacting Revenue, Page 1 of 10



- The following slides deal with these financial **Revenue** indicators:

- Resale Revenue
- Program Revenue
- Commissions
- Other Revenue

The following are possible management actions to correct unfavorable performance variances and/or poor current YTD financial performance indicators noted on the Budget Performance Activity report.

Next 9 pages

# Impacting Revenue,

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- To improve **Resale Revenue, Program Revenue, Commissions, and Other Revenue**, consider the following:
  - Assess your competition to discover what the competitor does that draws your customer/patron from your Program/business to theirs
  - Assess your customers'/patrons' needs and wants through focus groups, comment cards, individual interviews, brief surveys, and reviews of local and system-wide data

# Impacting Revenue,

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- Improve revenue, cont:
  - Develop effective, interesting, and varying programs (themes, activities, special events, etc.)
  - Look at each of your existing and recurring programs to identify ways to make the Program:
    - Different (adds a new twist)
    - Better (more interesting, informational, developmental, educational, and FUN!)
    - Have more perceived value
    - Involve more staff (both numbers and commitments)
    - Have more or different customer/patron involvement

# Impacting Revenue,

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- Improve revenue, cont:
  - Develop effective promotions and advertising
  - Improve appearance and image of facility, Program environment, and staff
  - Add/expand/change days/hours of operation
  - Strategize, develop and implement ways to increase how much each customer/patron spends

# Impacting Revenue,

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- Improve revenue, cont:
  - Look for additional sources of income applicable to your Program. (Consider these and other ways to increase Commission and Other Revenue.)
    - Amusement machines
    - Concessions
    - Sponsorship
    - Dues
    - Branded concepts
    - Commissions
    - Service charges
    - Recycling income
    - Memberships
    - Cover charges

# Impacting Revenue,

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- Improve revenue, cont:
  - Additional sources of income, cont ...
    - Broker for value-added services relevant to the Program, event (e.g., flower vendor, caricaturist, photographer, entertainment, etc.)
    - Co-location and/or partnering with other MWR / F&FR Programs, businesses, offices, and the Navy Exchange (e.g., kiosks, ITT sales booths, etc.)
    - Use of local area media for publicity

# Impacting Revenue,

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- Improve revenue, cont:
  - Strategize, develop, and implement value-oriented, fees, prices, and charges
  - Strategize, develop and implement ways to increase customers/patrons
    - Frequency of use
    - Bringing others to your Programs, business or office
    - New customers/patrons
    - Expanding the eligible customer/patron base
    - Reaching new markets/demographics (age groups, single/married, family groups, retirees, ethnic groups, special interest groups, contractors, DoD civilians, etc.)

# Impacting Revenue, Page 8 of 10



- Improve revenue, cont:
  - Use industry professionals, vendors, and the Exchange staff for assistance and ideas for retail operations:
    - Best use of shelf/floor space
    - Effective environment/decor/music, etc.
    - Automation
    - Pro Shop, product, services, sales and promotions training
    - Sales methods and techniques training
    - Pro Shop items/stock, lessons and product mixes
    - Product display
    - Pricing
    - Awareness of latest trends / fads

# Impacting Revenue,

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- Improve revenue, cont:
  - Use Navy F&FR Star Service, Customer Oriented Enterprise (COE) and other initiatives to ensure customer/patron loss and dissatisfaction is minimized:
    - Improved customer/patron care
    - Quality of products and services that customers/patrons want
    - Professional staff
    - Attractive, clean, up-to-date, well-maintained facilities and equipment
    - User-friendly systems
    - Effective signage
    - Value as perceived by the customer/patron, NOT by management
    - Effective and visible customer/patron feedback systems

# Impacting Revenue,

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- Improve revenue, cont:
  - Network with your F&FR Director/site manager, F&FR regional representative, MWR and Exchange colleagues, staff, and professional organizations
  - Brainstorm, ideate, problem-solve then develop a plan of action to improve revenue

# Impacting Costs,

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- The following slides deal with these financial **Cost** indicators:

- Cost of Goods Sold
- Salaries & Benefits
  - Allocated Employee
  - Benefits/Insurance Cost
- Supplies
- Depreciation-Local
- Maintenance Equipment

The following are possible management actions to correct unfavorable performance variances and/or poor current YTD financial performance indicators noted on the Budget Performance Activity report.

Next 30 pages

# Impacting Costs,

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- Cost of Goods Sold:
  - Ensure existence of standard operating procedures (SOPs) for all elements affecting critical daily operations. (Internal controls, record keeping, inventory control, separation of functions, money handling, customer/patron complaints, etc.) Ensure these SOPs are:
    - Easily accessed by entire staff
    - Reviewed and updated annually
    - Developed with staff input
    - Recurring reviews by staff are required and documented

# Impacting Costs,

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- Cost of Goods Sold, cont:
  - Ensure prices paid for products and services are competitive with regard to value - CHEAP is often just cheap, NOT better or more economical
    - Follow procurement policy regarding obtaining competitive price quotes
    - Take advantage of AFNAFPO, Exchange, government sources, contracts and prime vendor processes (Remember...Quality!)
    - Take advantage of the buying power in collective purchasing with your like-business area colleagues (e.g., golf, bowling, childcare, youth, outdoor recreation, etc.)

# Impacting Costs,

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- Cost of Goods Sold, cont:
  - Ensure you know your TOTAL cost before calculating and setting fees, prices, and charges. Total costs include:
    - Actual cost of item, ingredient, material, product, etc.
    - Freight charges
    - Packaging/shipping and handling charges
    - Yield from a raw product
    - Production methods that cause waste/loss of product
    - Update costs whenever basic input figures change at least 10%. Review and adjust fees, prices, and charges at least semi-annually
    - Impact of "mark-downs"

# Impacting Costs,

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- Cost of Goods Sold, cont:
  - Ensure your SOPs explain how to "mark-down"
  - Ensure price to the customer/patron is set high enough to achieve required or desired standards
  - Ensure effective "Return" policy from customers/ patrons and to vendors
  - Ensure a process exists for daily/weekly documentation of COGS whether actual or estimated

# Impacting Costs,

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- Cost of Goods Sold, cont:
  - Minimize waste by controlling/ensuring:
    - Storage areas
    - Receiving methods and policy
    - Preparation methods
    - Use of portion control tools and SOPs
    - Production through forecasting (usage/customer/patron counts, etc.)
    - Access to supplies, equipment, products and materials
    - First products in - first products out (FIFO)

# Impacting Costs,

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- Cost of Goods Sold, cont:
  - Minimize loss by preventing/controlling:
    - Staff and customer/patron theft
    - Accidental/intentional damage
    - Non-promotional giveaways
    - Shoplifting
    - Products, and materials through regularly scheduled and spot inventories
    - Sensitive, high cost, desired products and materials through daily spot inventories or physical control/s
    - Undocumented movement of products within and between departments

# Impacting Costs,

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- Cost of Goods Sold, cont:
  - Ensure proper controls of cash and near cash through:
    - Separation of function
    - Proper use of cash registers
    - Control and use of cash bags
    - Surprise/unannounced cash counts
    - Using sales receipts for high cost items
    - Controls on ticket sales and staff purchases
    - Ensuring use of Daily Activity Records (DARs)
    - Receipted returns
    - Use of over/under ring slips
    - Check cashing policy (including bad debts/checks)
    - Credit/bank card policy
    - Collection of accounts receivable
    - Use of surveillance equipment
    - Use of mystery shoppers

# Impacting Costs,

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- Cost of Goods Sold, cont:
  - Reduce waste/loss through control and effective use of your inventory (merchandise/products sold)
  - Consider the following to improve inventory usage
    - Identify what sells and what sits
    - Monitor retail value of the inventory items against rate of sales
    - Justify the need for the inventory
    - Justify the need for the retail outlet

# Impacting Costs,

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- Cost of Goods Sold, cont:
  - Consider the following to reduce inventory levels to maintain suggested inventory level standards
    - Sell inventory at cost
    - Sell merchandise to another station
    - Return merchandise to distributor or manufacturer
    - Advertise merchandise as a promotional item
    - Transfer merchandise to other MWR / F&FR Programs on installation or regionally
    - Dispose of property using Certificate of Disposition
    - Revise procurement procedures to maintain minimum stock levels
    - Consider seasonal requirements/levels

# Impacting Costs,

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- To improve **Salaries & Benefits** and **Allocated Employee Benefits/Ins Cost**, consider the following:
  - Ensure your Program is organized to minimize labor cost and still provide quality, skilled, knowledgeable staff to accomplish the Program mission, goals, objectives, and responsibilities
  - Ensure you have up-to-date position descriptions

# Impacting Costs,

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- Employee Costs, cont:
  - Ensure you have a staffing strategy - a way to determine what staffing (position levels and numbers) is required to handle the workload as specified by:
    - Regulation/law
    - Industry and Navy F&FR standards
    - Guidance from F&FR regional program managers
    - Historical perspectives (what staff mix works and what doesn't)

# Impacting Costs,

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- Employee Costs, cont:
  - Ensure that your staff within budget by applying standards or other local criteria
    - Calculate cost of the work schedule for the work period
    - Minimize labor costs by:
      - Using minimum staff numbers relative to the scope of work
      - Balancing number of staff to ensure customer/patron needs are met without "burning out" staff members
      - Adjusting staff numbers relative to work fluctuations (i.e., seasonal demands, daily/hourly demands, etc.)
      - Minimizing scheduling/use of overtime

# Impacting Costs,

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- Employee Costs, cont:
  - Minimize labor costs by:
    - Ensuring responsible use of Annual Leave, Sick Leave, Family Medical Leave Act (FMLA), Federal Employees Friendly Family Leave Act (FEFFLA), Comp time, Furlough, Military Leave, Court Leave, Admin Absence and LWOP
    - Scheduling to avoid/minimize payment of premiums/differentials
    - Cross-training staff
    - Ensuring all staff members are fully trained and qualified
    - Using automation and state-of-the-art equipment and tools

# Impacting Costs,

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- Employee Costs, cont:
  - Minimize labor costs by:
    - Using incentive programs
    - Developing competent, problem-solving, positive, enthusiastic, empowered supervisors
    - Developing continuous process improvement methods to evaluate worth of products and services and simplification of procedures
    - Eliminating unnecessary staff/supervisory layers
    - Eliminating unnecessary duplication of work
    - Use regional employee pools, if established (e.g., a pool of mechanics, life guards, front desk staff, etc.)

# Impacting Costs,

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- Employee Costs, cont:
  - Ensure that you staff within budget by applying standards or other local criteria, cont:
    - Review staff/billet composition and standards (where applicable) to ensure it is efficient, legal, cost-effective and authorized through the use of:
      - APF billets
      - Interns
      - Volunteers
      - Active duty personnel
      - Flexible employees
      - Part-time employees
      - Full-time employees

# Impacting Costs,

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- Employee Costs, cont:
  - Ensure downloaded benefits costs are posted correctly (You will need a printout of all employee benefits entitlements, enrollments, and elections.)
    - Health
    - Disability
    - Workers Compensation
    - Unemployment Compensation
    - Retirement

# Impacting Costs,

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- Employee Costs, cont:
  - Ensure you are proactive in managing and containing these expenses:
    - Respond to all unemployment information requests within the allotted time frame to ensure only entitled and justified expenses are paid to claimants
    - Attend unemployment case hearings, if scheduled
    - Develop active “return-to-work” program for Workers’ Comp claimants
    - Don’t use claims for Workers’ Comp, Disability, etc., as a convenient means to get rid of “problem” employees -- this just wastes money! Place them where they can do something useful. If necessary, get rid of them correctly, LATER! See MWR Managers’ Desk Reference Task 6.14, Discipline Staff
    - Work with your local personnel office/Program Administrator if you are aware of or suspect abuse of Workers’ Comp, Disability, sick leave, etc.

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - Supplies
  - Depreciation-Local
  - Maintenance Equipment
  - Contractual
  - Utilities
  - Advertising and Promotion
  - Awards and Prizes
  - Entertainment and Tickets
  - Other Expenses
  - UFM Offsets [non-labor]

# Impacting Costs,

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- **Supplies (includes minor property and small-wares)**
  - Ensure your supplies are used for the purpose intended
  - Use only the quantity of supplies needed for the job, shift, period, etc.
  - Use proper mixtures/amounts
  - Use correct supplies for the job
  - Ensure your supplies are being controlled to prevent waste, loss, theft, etc.
  - Ensure staff is trained and frequently reminded to use supplies conservatively
  - Use APF where authorized

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - **Depreciation-Local**
    - Confirm useful life and salvage value, if any
    - Compare depreciation data to applicable depreciation schedule
    - Confirm any change affecting depreciation with the Business Office

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - **Maintenance**
    - Use preventive maintenance schedules and procedures on facilities and equipment
    - Confirm/justify all maintenance costs
    - Monitor equipment aging, useful service life remaining, and develop a re-capitalization plan
    - Assure most cost-effective and efficient maintenance services whether in-house, Public Works, contractors, etc. Improve maintenance value through competitive services
    - Control maintenance supplies
    - Use APF where authorized

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - **Contractual**
    - Adhere to contracting and procurement rules, regulations and best practices
    - Maintain a list of all contracts used by your Program/Cost Center
    - Confirm worth/Return On Investment
    - Justify need to sustain/continue contracts – is there a more cost effective solution?
    - Don't lock into automatic contract rollovers
    - Use APF where authorized

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - **Contractual, cont.**
    - Monitor all deliveries and pickups
    - Minimize additional contract charges through effective controls of contractor supplies and equipment (i.e., prevent loss/theft of uniform items, towels, linen, etc.)
    - Work with/get assistance from your contracting/procurement officials

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - **Utilities**
    - Conservation
    - Investigate all Base Operating Support (BOS) utility and similar bills for your Program/Cost Center
    - Identify what APF can and cannot cover for your Program/Cost Center

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - **Advertising & Promotion**
    - Ensure you attain at least "break-even" on all advertising and promotional efforts
    - Evaluate the value, impact and effectiveness of your advertising and promotional efforts. See MWR Managers' Desk Reference Task 10.9, [Evaluate Advertising/Promotion Effectiveness](#)
    - Advertise, promote, and program cooperatively and in conjunction with other F&FR Programs/businesses
    - Use commercial sponsorship

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - **Awards & Prizes**
    - Ensure you attain at least "break-even" on all awards and prizes
    - Ensure cost of Bingo Program awards and prizes are within standards specified in BUPERSINST 1710.11 (series)
    - Justify value of awards and prizes (compare cost to perceived value/desired affect)
    - Determine what your competition provides in the way of awards and prizes
    - Use commercial sponsorship

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - **Entertainment & Tickets**
    - Ensure you attain at least "break-even" on all entertainment through systematic evaluation
    - Use CNIC entertainment grants
    - Coordinate cooperative opportunities with USO, Armed Forces Entertainment, CNIC, etc.
    - Investigate lower cost alternatives (e.g., use local entertainment, recorded music vs., live entertainment, etc.)

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - **Entertainment & Tickets, cont.**
    - Use door/cover charges, entertainment surcharges, dues/ memberships, etc.
    - Use commercial sponsorship
    - Use ticket and patron controls
    - Monitor guest controls

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - **Other Expenses or UFM Offsets:**
    - Attention NAF managers – Don't gaff this off as "*APF is not real money*" – it is "real" money – use it as wisely as you do your NAF funds. Use UFM Offset for Salaries before other expenses!
    - As needed, obligate the majority of your authorized APF during the first 3 quarters of the Fiscal Year. This practice can reduce your risk of APF cuts and increase the probability you can maintain the same APF budget base and perhaps receive "fallout" money.

# Impacting Costs,

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- To improve all remaining Cost Elements, consider the following:
  - **Other Expenses or UFM Offsets, cont:**
    - During the year-end budget cycle and reviews, validate/justify continuing need for UFM Offset/APF budget. Look at your continuing need to use APF to fund any high cost, low usage (or minimal value) salaries, Program activities, and other *authorized* expenses
    - When possible and authorized, use UFM offset or APF to fund fixed assets. APF funded assets are not on your NAF depreciation schedule

# Impacting Profit and Self-Sufficiency



- To improve **Profit** and **Self Sufficiency**, consider the following:
  - Look for other sources of income that are applicable to your Program/Cost Center. (Look at these as ways to increase profitability and to improve Self Sufficiency)
  - Look for ways to reduce the expense elements of your Program/Cost Center



# Additional Information,

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- Hands-On Guides for the SAP End User:

- Overview and Navigation
- General Ledger
- Accounts Receivable
- Accounts Payable
- Procurement
- Asset Management

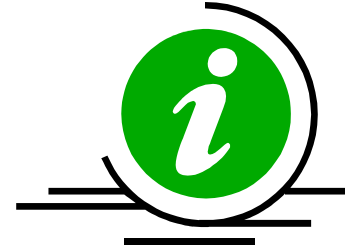
**Under FICO Documentation, see:**

[http://138.164.10.95/mwrprgms/sap/sap\\_training\\_docs\\_forms.htm](http://138.164.10.95/mwrprgms/sap/sap_training_docs_forms.htm)

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# Additional Information,

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- SAP/AIMS training for managers
  - The Manager's Reporting Guide/Training Module

<http://138.164.10.95/mwrprgms/ramcas.htm>

- The AIMS Planning (Budgeting) Guide/Training Module

<http://138.164.10.95/mwrprgms/naf.htm#aims>



# That's all for now...

*Do you know where your money is?*



## Suggestions and requests to:

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